

VZCZCXRO6116  
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV  
DE RUEHDL #0031/02 0181350  
ZNR UUUUU ZZH  
R 181350Z JAN 08  
FM AMEMBASSY DUBLIN  
TO RUEHC/SECSTATE WASHDC 8843  
INFO RUCNMEM/EU MEMBER STATES  
RUEHBS/USEU BRUSSELS

UNCLAS SECTION 02 OF 02 DUBLIN 000031

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SENSITIVE  
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E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [EI](#)

SUBJECT: IRSH PRIME MINISTER CONTINUES TO TAKE HEAT FOR ALLEGD  
IRREGULR FINANCES, BUT ISN'T BACKING DOWN

¶9. (U) In a political broadside, Fine Gael leader nda Kenny accused Ahern on January 12 of misleadng the Irish people over his tax affairs. He caled on Ahern to resign over his inabilityto produce a tax certificate. Ahern, before embarking on an official visit to South Africa, insisted he is fully tax compliant and accused Kenny of telling lies. The opposition parties responded, accusing Ahern of avoiding the issue following his refusal to answer questions on the matter during his South African visit.

¶10. (SBU) During the Mahon Tribunal's questioning, Ahern was strongly backed by a number of his Government colleagues, including Minister for Foreign Affairs Dermot Ahern, Minister for Health Mary Hanafin, and Minister for Enterprise, Trade, and Employment Micheal Martin. Nonetheless, political observers note that some distancing from him seems to be occurring within his own party.

Comment  
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¶11. (SBU) Following last May's general election, the opposition parties were understandably downbeat. Many, however, are beginning to think that their defeat has a silver lining, considering the storm clouds now gathering around the economy. Fianna Fail has aggressively claimed credit for the "Celtic Tiger" economic success story over the past ten years. If the economy falters, opposition parties will have potent ammunition for the Irish local elections and the European Parliament election, scheduled for June 2009. Then, there's the matter of the EU Reform Treaty referendum to be held later this year. A defeat for the Prime Minister's party in this vote (not inconceivable according to many local pundits) -- on top of the questions surrounding Ahern's finances and taxes -- could mortally wound Ahern and hasten his departure from Ireland's political stage. Nonetheless, for the time being, Ahern is showing no signs of giving up or of shedding his reputation as the "Teflon Taoiseach" who consistently manages to slide out of political difficulties. He recently declared that he will lead Fianna Fail into the 2009 elections and appears to be holding a comfortable political edge over the opposition.

FOLEY